

BIDDING PROCEDURES

Sale of Golf Course Assets of Mountain Run Golf, Inc., and Mountain Run, LLC (the "Debtors") Subject to Bankruptcy Court Approval

A. *Bids.* The Debtors will accept bids for purchase of its Golf Course assets through its counsel, DOUGLAS A. SCOTT, PLC, at the address provided herein. The Debtors will seek approval of the highest or best offer after an auction to be held on June 15, 2010 at LeClairRyan, PC, 951 E. Byrd, East Tower, 8th Floor (the "Auction") at a hearing to be conducted by the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the "Court") on June __, 2010, or at the earliest date thereafter as the Court may direct (the "Approval Hearing").

B. *Assets.* The Assets to be sold include the Golf Course Assets and the Residential and Development Assets. A complete list of the assets to be sold is in the Asset Purchase Agreement ("APA"). The "Golf Course Assets" are defined to include Golf Course improvements, an 18 hole bent grass course with land for an additional 9 hole addition, certain real property, a pool house, snack bar, pro shop, leases, equipment and supplies, inventory, prepaid expenses, copies of books and records, customer list and certain intellectual property. The "Residential and Development Assets are defined to include the following Real Property: the residential lots surrounding the golf course ready for construction of new residences; the undeveloped land for residential lots surrounding the golf course; any land or easements necessary for development of the residential lots

C. *Initial Bid.* The initial bid on all of the Assets has been made in the amount of Three and a Half Million Dollars (\$3,500,000.00)("Initial Bid") as more fully defined in the APA.

D. *Additional Bids, Minimum Bids.* Any person or entity may make a bid for: i) all of the Assets (as set forth in the APA), ii) the Golf Course Assets only, or iii) the Residential and Development Assets only. A person or entity that makes such a Bid is a "Bidder." A Minimum Bid for all the Assets has been established in the amount of the Initial Bid plus Twenty-Five Thousand Dollars (\$25,000.00)(collectively, the "Bid" or "Bids"). A Minimum Bid for the Golf Course Assets only is Two Million Dollars (\$2,000,000.00). A Minimum Bid for the Residential and Development Assets is One Million Five Hundred Thousand Dollars (\$1,500,000.00)

E. *Adjustment of Minimum Bids.* Debtors in consideration of the best interests of the Estates and with the written consent of Essex Bank may remove assets from the Auction and accordingly lower the Minimum Bids.

F. *Bid Requirements.* All bids, whether written or submitted during the auction, are subject to the same terms as the APA, except that:

- (i) the Bidder shall be substituted for the Purchaser in the APA;
- (ii) if the Bid is for all the Assets, the proposed Minimum Bid shall not be less than \$3,525,000.00.; if the Bid is for the Golf Course only, the proposed Minimum Bid shall not be less than \$2,000,000.00; if the Bid is for the Residential and Development Assets only, the Minimum Bid shall not be less than \$1,500,000.00;
- (iii) if the Bid is for the Golf Course only or for the Residential and Development Assets only, the provisions in the APA related to the conveyance of Mountain Run Utilities are inapplicable;
- (iv) the provisions in Section 6 Feasibility Period shall not apply to a Successful Bidder; and
- (v) the Bid is selected as the Successful Bidder, the Bidder agrees to pay the Deposit as described below.

G. *Submission of Written Bids.* Bidders may submit bids in writing to Debtors' counsel not later than 5:00 p.m. Eastern Daylight Time on the 11th day of June, 2010, or upon such date and at such time as the Court may direct ("Bid Deadline"). Each Bid must be delivered to the Debtors' counsel, with a copy delivered to the Lender's counsel, so as to be received on or before the Bid Deadline:

(a) Debtors' Counsel:

DOUGLAS A. SCOTT, PLC
1805 Monument Avenue, Suite 311
Richmond, Virginia 23220
☎ 804.257.9860

(b) Lender's Counsel:

Vernon Inge, Jr., Esquire
LeClair Ryan, A Professional Corporation
Federal Reserve Bank Building
701 East Byrd Street, Sixteenth Floor
Richmond, Virginia 23219
804-343-4095

H. *Financial Evidence of Bidders.* All Bidders must provide satisfactory Financial Evidence¹ to the Seller that it is:

- (i) financially able to consummate the transactions contemplated by such Initial Bid; and
- (ii) able to consummate the transaction on the date and on the terms contemplated by the APA.

I. *Additional Requirements, Deposit.* The Successful Bidder will be required to immediately pay a Deposit equal to ten percent (10%) of the winning purchase price. The Deposit may be paid by an official bank check or wire transfer (the "Deposit").

J. *No Financial Contingencies.* Any and all Bids must be firm offers and shall not contain any contingencies as to the validity, effectiveness or binding nature of the Bid, including, but not limited to, contingencies for financing, due diligence, or inspection. All Bids must substantially conform to the terms and conditions contained in the APA. A copy of the APA is attached to Debtors' Motion to Approve Bid Procedures or may be obtained from the Debtors' counsel, at the notice address above

K. *Qualifying Bids.* Any Bid submitted in accordance with these Bidding Procedures or that are deemed acceptable by the Debtors and the Bank, in consideration of the best interests of the Estates shall be deemed a "Qualifying Bid," Each Bidder submitting a Qualifying Bid shall be a "Qualified Bidder."

L. *Non-Qualifying Bids.* No Bid shall be considered that does not conform in all material respects with these Bidding Procedures and the APA, and no such Bid shall be a Qualifying Bid.

M. *Due Diligence.* Subject to signing a confidentiality agreement, all interested parties shall have a copy of a Due Diligence package prepared by the Debtors with all the information required under the APA, prior to the Bid Deadline for the purpose of conducting due diligence. All Due Diligence should be conducted prior to the auction and the Successful Bidder shall not be entitled to any of the provisions in Section 6 of the APA.

¹ "Financial Evidence" shall mean information sufficient for the Debtors to make an informed judgment as to the ability of the Bidder to perform its obligations pursuant to its Bid and shall include a letter from a financial institution demonstrating the Bidder's financial wherewithal to immediately consummate the transaction contemplated by its Bid, or other such evidence satisfactory to the Debtors.

N. *No Representations.* The Assets shall be sold “AS IS”, and “WHERE IS”, and WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, INCLUDING BUT NOT LIMITED TO, FITNESS OR CONDITION. No Bid shall be deemed a Qualifying Bid that provides otherwise.

O. *Bankruptcy Court Jurisdiction.* All Qualified Bidders, by making a Bid, have submitted to the exclusive jurisdiction of this Court with respect to the proposed sale of the Assets, including but not limited to, the Bidding Procedures, the solicitation and evaluation of Bids, the Auction, and the Approval Hearing.

P. *Auction Process.* The Auction will be conducted at the LeClairRyan, PC, 951 East Byrd Street, East Tower, 8th Floor, Richmond, Virginia 23219 on Tuesday, June 15th, 2010, at 11 a.m. Only Qualified Bidders may participate in the Auction. The Auction shall commence with the Debtors’ announcement of the Initial Bid. The Auction will then be open for any other higher or better Qualifying Bids from any Qualified Bidder. The first such Qualifying Bid above the Initial Bid submitted at the Auction shall be at least Twenty Five Thousand Dollars (\$25,000.00) higher than the higher of the Initial Bid. Subsequently, Qualifying Bids may only be submitted in increments of not less than Twenty Five Thousand Dollars (\$25,000.00) over the then highest or best Qualified Bid, as determined in the Debtors’ sole discretion; *provided, however*, the Debtors may increase or decrease the amount of the incremental bid amount as it deems appropriate during the course of the Auction. Any Qualifying Bid at the Auction must include substantially the same terms and conditions as contained in the APA.

Q. *Conclusion of Auction.* At the conclusion of the Auction, the Qualified Bidder submitting the highest or best Bid, as determined in the sole discretion of the Debtors, shall be the “Successful Bidder.” The Successful Bidder shall be required to make the Deposit. The Qualified Bidder submitting the next highest or best Qualifying Bid, as determined in the sole discretion of the Debtors, shall be the “Successful Backup Bidder.” The Debtors shall inform all Qualified Bidders at the Auction of the Qualifying Bid that Debtors will take before the Court for approval at the Approval Hearing.

R. *Approval Hearing.* At the Approval Hearing immediately following the conclusion of the Auction, the Debtors shall seek approval by the Court of the sale of the Assets to the Successful Bidder. The sale of the Assets shall be subject to the entry of an Order (the “Sale Order”) by the Court:

- (i) approving the sale of the assets to the Successful Bidder and the assumption of the leases and executory contracts listed in the APA pursuant to 11 U.S.C. § 365;
- (ii) containing a finding that the successful Bidder is a good faith purchaser pursuant to 11 U.S.C. § 363(m); and
- (iii) directing that the sale order be effective immediately pursuant to FED.R.BANKR.PROC. 6004 and 6006.

S. *Bids to remain open; Deposits Refunded.* All Qualifying Bids made before the Approval Hearing shall, notwithstanding the Debtors' acceptance of another Qualifying Bid, remain open and irrevocable until the earlier of: (a) ten (10) days following the conclusion of the Auction or (b) the successful conclusion of the Closing (defined below), and may during that period be accepted and consummated without further Order of the Court in the event that the sale to the Successful Bidder or to the Successful Backup Bidder is either not approved by the Court or is not consummated at the Closing. Deposits made by Qualifying Bidders that are not the Successful Bidder or the Successful Backup Bidder shall be returned promptly following the conclusion of the Approval Hearing. The Deposit of any Successful Backup Bidder shall be retained no longer than the third business day following the completion of the Closing in the event another Successful Backup Bidder becomes the Successful Bidder. The Deposit submitted by the Successful Bidder shall be credited against the total purchase price to be paid by the Successful Bidder.

T. *Default by Successful Bidder.* After the entry of an Order by the Court approving the sale of the Assets to the Successful Bidder, the Successful Bidder shall be in default on its Bid if it fails to consummate the purchase of the Assets within two (2) business days following the termination of the ten (10) day appeal period allowed for an appeal of the Approval Order, providing that no timely stay pending appeal has been ordered by the Court. In such event, such Bid shall be void. In such event, the Successful Backup Bidder shall close the contemplated Asset sale transaction within three (3) business days from receipt of written notice from the Debtors of the failure of the Successful Bidder to do so. In the event that the Successful Backup Bidder does not timely close the Asset sale transaction, such Bid shall be void, and the next highest or best Qualifying Bidder shall close the contemplated Asset sale transaction within three (3) business days from receipt of written notice from the Debtors of the failure of the Successful Backup Bidder to do so. This process shall continue until no further Qualified Bidders remain other than the maker of the Initial Bid. In such case, the Debtors shall

consummate the Asset sale transaction with such party pursuant to the terms of the APA, including the Initial Bid as set forth herein, as soon as reasonably possible.

U. *Closing.* The closing of the Asset sale contemplated herein following the conclusion of the Approval Hearing (the “Closing”) shall occur on or before July 15, 2010, subject to the entry of such orders of the Court as are necessary and appropriate.

V. *Additional Information.* Questions regarding these Bidding Procedures may be directed to counsel for the Debtors, at the contact information above.